



Menke & Company
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF COLUMBUS JUNCTION
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013**

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City of Columbus Junction

Officials

Name	Title	Term Expires
Daniel Wilson	Mayor	January 1, 2014
Mark Huston	Council Member	January 1, 2016
Harold Prior	Council Member	January 1, 2014
Phil Kaalberg	Council Member	January 1, 2016
Bernabe Rodriquez	Council Member	January 1, 2014
Patrick Rees	Council Member	January 1, 2016
Julie Heindel	City Clerk	Indefinite
Carla Bruns	Deputy City Clerk	Indefinite
Timothy Wink	Attorney	Indefinite



Menke & Company

CERTIFIED PUBLIC ACCOUNTANTS

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

To the Honorable Mayor
and Members of City Council
City of Columbus Junction, Iowa:

We have performed the procedures enumerated in Exhibit A, which were agreed to by the City of Columbus Junction and the Iowa Office of Auditor of State, solely to assist in compliance with requirements for examination pursuant to Chapter 11.6 of the Code of Iowa. The procedures listed in Exhibit A were performed of the City of Columbus Junction for the period July 1, 2012 through June 30, 2013. The City of Columbus Junction's management is responsible for the City's annual examination. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards for attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the agreed upon procedures program guide prepared by the Office of Auditor of State. The sufficiency of these procedures is solely the responsibility of the Office of Auditor of State. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose.

Based on the performance of the procedures described in Exhibit A, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed in Exhibit A.

We were not engaged to and did not conduct an audit of the operations of the City of Columbus Junction, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Columbus Junction, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Columbus Junction and other parties to whom the City of Columbus Junction may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Columbus Junction during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Menke & Company

Menke & Company
West Point, Iowa
January 07, 2014

Detailed Recommendations

City of Columbus Junction
Detailed Recommendations
For the Period July 1, 2012 through June 30, 2013

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:
1. Cash – handling, reconciling, and recording.
 2. Receipts – opening mail, collecting, depositing, journalizing, reconciling, and posting.
 3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 4. Payroll – recordkeeping, preparation, and distribution.
 5. Utilities – billing, collecting, depositing, and posting.
 6. Financial reporting – preparing and reconciling.
 7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Utility Billings, Collections, and Delinquent Accounts – Utility billings, collections, and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts.

- (C) Tax Increment Financing – The City has not established a separate special revenue fund for tax increment financing revenues. These revenues have been recorded in the general fund of the City.

Recommendation – The City should record tax increment financing revenues in a special revenue fund to properly track the revenues and ensure the funds are used to pay certified tax increment financing indebtedness.

- (D) Accounting Procedures Manual – The City does not have a written accounting procedures manual.

Recommendation – The City should develop an accounting procedures manual to aid in training additional or replacement staff should the need arise.

City of Columbus Junction
Detailed Recommendations
For the Period July 1, 2012 through June 30, 2013

- (E) Financial Reporting – The City has seven bank accounts which were not recorded in the City's accounting system, budget, annual financial report, or reports to the council. The total balance in these accounts at year end was \$51,470. Current year receipts to these accounts were \$43,592 and current year disbursements from these accounts totaled \$27,990.

Recommendation – The City should record all City owned accounts in its accounting system, budget, annual financial report, and reports to the council.

- (F) Wage Increases and Overtime Calculations and Approval – Overtime hours are not approved except for police department employees. Also, we noted that wage increases are approved as a percentage rather than by specific amounts. Additionally, it was noted that employees were paid overtime rates for all hours over forty per week even in cases where vacation or sick time was used.

Recommendation – The City should have someone in authority approve employee overtime hours prior to overtime being worked. Also, City Council should approve specific pay rates when approving pay increases to ensure there is no question as to what the approved hourly or salary rates are. The City should also clarify its overtime policies with respect to how overtime is to be calculated when vacation and sick hours are used in the same pay period as overtime.

- (G) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Patrick Rees, Council Member, owner of CJ Auto Supply	Shipping and supplies	\$2,529
Steve Tomfeld, City Employee	Welding, mowing, rent	\$3,640

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

**City of Columbus Junction
Detailed Recommendations
For the Period July 1, 2012 through June 30, 2013**

- (H) Deposits and Investments – The City's investment policy does not comply with Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investments policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (I) City Council Minutes – During the examination it was noted that the City sold a truck for \$7,500 without any mention of the transaction in the minutes.

Recommendation – The City should obtain council approval prior to selling city owned property.

- (J) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, and general government functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (K) Unsupported Disbursements – Certain disbursements selected for testing totaling \$690.13 were not supported by receipts. The disbursements were for supplies, utilities, and postage. The City also paid \$37.31 in sales tax on reimbursements and overpaid one reimbursement by \$0.25. In addition, the City paid \$42.38 in uniform reimbursements.

Recommendation – The City Council should establish written policies and procedures, including the requirements for proper documentation for instances when obtaining a receipt may not be possible. Such policies should be clearly communicated to city employees upon adoption. The City should also consider adopting a uniform reimbursement policy if it plans to reimburse employees for uniforms. The City should avoid paying sales tax since it is exempt from sales tax.

- (L) Payment of General Obligation Bonds – Principal and interest on the City's general obligation bonds were paid from the general fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation – The City should transfer from the general fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

City of Columbus Junction
Detailed Recommendations
For the Period July 1, 2012 through June 30, 2013

- (M) Unclaimed Property – The City has not remitted unclaimed property to the state treasurer by November 1 of each year as required by Chapter 556 of the Code of Iowa.

Recommendation – The City should remit unclaimed property each year to the state treasurer as required by the Code of Iowa.

- (N) Annual Urban Renewal Report – The City's annual urban renewal report does not agree with the annual financial report or the city's accounting system and financial statements.

Recommendation – The City should amend the annual urban renewal report to report the proper amounts.

- (O) Annual Financial Report – The City's annual financial report does not report the new tax increment financing debt incurred in the past year.

Recommendation – The City should amend the annual financial report to report the proper amounts of debt issued, retired, and outstanding for the year.

- (P) Check Issuance – The City's issued a check for \$12,000 near year end for a squad car that had been ordered but was not received as of June 30, 2013. The check was issued and held for budget purposes.

Recommendation – The City should not issue checks prior to receiving the goods or services even if the funds were budgeted for a specific year. The City should amend its budget in the future rather than holding checks.

City of Columbus Junction
Exhibit A

The procedures performed for the City of Columbus Junction are listed below:

MINUTES & MISCELLANEOUS PROCEDURES:

- A. Scan minutes for significant or unusual items.
- B. Select four meetings during the year being examined to review whether:
 - a. Minutes were properly signed as required by Chapter 380.7 of the Code of Iowa.
 - b. Meetings were preceded by proper notice.
 - c. The minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.
 - d. The passage of ordinances, amendments or resolutions were by a majority vote of all the members of the City Council rather than a majority vote of a quorum of the City Council as required by Chapter 380.4 of the Code of Iowa.
 - e. Minutes document the City Council followed proper proceedings for any closed sessions.
 - i. The session was closed by affirmative roll call vote of the city council.
 - ii. The specific exemption under Chapter 21.5 of the Code of Iowa.
 - iii. Final action was taken in open session.
 - f. Minutes were published within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa and included:
 - i. Total disbursements from each fund.
 - ii. A list of all claims allowed (including the reason for the claim).
 - iii. A summary of all receipts.
 - iv. A summary of ordinances or amendments adopted.
- C. Obtain copy of City's June 30 financial statements and/or reports.
- D. Verify and review surety bond coverage for reasonableness and compliance with statutory requirements for all officials and employees as required by Chapters 64.13 and 64.15 of the Code of Iowa.

CASH & INVESTMENTS PROCEDURES:

- A. Observe cash on hand, if any.
- B. Obtain one monthly Clerk's report and determine the report foots and trace ending fund balances to the general ledger.
- C. Cash In Bank and Investments:
 - a. Determine whether bank reconciliations are performed monthly.
 - b. Determine whether bank reconciliations are reviewed by an independent person.
 - c. Obtain bank reconciliations for two months and perform the following:
 - i. Verify reconciling items to support.
 - ii. Foot the bank reconciliations.
 - iii. Consider confirming bank account and investment balances.
 - iv. Obtain a list of outstanding checks at the end of the selected months. Ensure the list of outstanding checks includes check number, amount and date written for each listed check and verify listed outstanding checks cleared the bank after the selected months.
 - v. Trace reconciled balance for selected months to general ledger account balances and to monthly reports provided to the City Council.

City of Columbus Junction
Exhibit A

The procedures performed for the City of Columbus Junction are listed below
(Continued):

- d. Determine unclaimed property per Chapter 556.1(12) of the Code of Iowa has been reported to the State Treasurer annually before November 1 as required by Chapter 556.11 of the Code of Iowa.
- e. Determine a depository resolution which includes all depositories used by the City has been approved as required by Chapter 12C.2 of the Code of Iowa.
- f. Determine if the City has adopted a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.
- g. Obtain a schedule of investment transactions for the same two months (selected in procedure 3 above) and trace investment balances to the bank reconciliations.
- h. Determine investments held at the end of the selected months complied with the City's adopted investment policy and statutory provisions of Chapter 12B.10 of the Code of Iowa, as applicable.

LONG-TERM DEBT PROCEDURES:

- A. For general obligation, special assessment and revenue bonds or notes:
 - a. Determine general obligation debt payments were recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.
 - b. Determine and document procedures for bonds or notes sold during the current year were in compliance with Chapters 75, 384 and 403.9 of the Code of Iowa.
- B. Determine whether other long-term debt exists (lease-purchase agreements, deferred payment contracts, real estate contracts, loans, TIF development agreements, local option sales tax debt) and whether the debt is accounted for accurately.
- C. Issuance of Debt:
 - a. Review authorization for any issuances during the year being examined.
 - b. Determine debt proceeds were properly recorded and trace proceeds to cash receipts record and bank statement.

TAX INCREMENT FINANCING PROCEDURES:

- A. Determine tax increment financing (TIF) collections were properly recorded in a separate Special Revenue Fund (TIF fund) as required by Chapter 403.19 of the Code of Iowa.
- B. Determine the TIF collections in the TIF fund were disbursed or transferred to pay TIF obligations that qualify for payment (within the urban renewal plan) from TIF collections and such obligations were previously certified to the County Auditor as TIF debt and/or LMI.

City of Columbus Junction
Exhibit A

The procedures performed for the City of Columbus Junction are listed below
(Continued):

- C. Determine the following regarding the Tax Increment Debt Certificate:
 - a. The amounts certified (Form 1 and Form 1.1 for TIF debt not previously certified – or equivalent document) are supported and represent loans, advances, or other qualified indebtedness or bonds which qualify for payment from the TIF revenues for each urban renewal area in the City as required by Chapter 403.19(5)(a) of the Code of Iowa and the certificate was filed by December 1.
 - b. The City used Form 2 or an equivalent document to properly reduce TIF request if/when the total amount of the legally available TIF increment tax was not wanted.
 - c. The City certified (Form 3 or an equivalent document) a reduction to the amount previously certified by December 1 in the year action was taken which resulted in the reduction, as required by Chapter 403.19(5)(b) of the Code of Iowa.
- D. Annual Urban Renewal Report
 - a. Obtain the urban renewal report due December 1st of the fiscal year under examination and determine the:
 - i. Report was approved by the City Council and completed/filed on or before December 1st.
 - ii. Amounts reported on the Levy Authority Summary agree with City records.
 - b. Obtain and review the City's detailed TIF obligations (debt) listings and determine "TIF Debt Outstanding" on the Levy Authority Summary includes the following:
 - i. Certified Debt - TIF obligations outstanding, including principal and interest, certified to the County Auditor as of July 1st of the period covered by the urban renewal report and,
 - ii. Certifiable Debt - Outstanding TIF obligations incurred during the fiscal year covered by the urban renewal report, including annual appropriation debt not yet certified.
 - c. Determine rebate agreements, if any, have been properly reported as project(s), including total debt and expense.
 - d. TIF collections remaining after an urban renewal area is no longer active, if any, were returned to the County Treasurer as required by Chapter 24.21 of the Code of Iowa.
- E. For urban renewal areas with public improvements related to housing and residential development, determine if assistance for low and moderate income (LMI) housing was provided in accordance with Chapter 403.22 of the Code of Iowa.

City of Columbus Junction
Exhibit A

The procedures performed for the City of Columbus Junction are listed below
(Continued):

FUND BALANCE PROCEDURES:

- A. Determine the City is using fund accounting and each fund is properly classified in accordance with the Uniform Chart of Accounts.
- B. For enterprise funds with deficit balances, determine if there is a net earnings violation (book transfers are made to sinking accounts per the bond/note resolution, but if the operating accounts are in a deficit position, the sinking accounts are not backed by cash) and comment if appropriate.
- C. Determine projects are appropriately accounted for in separate capital projects accounts.
- D. Examine journal entries and other adjustments made directly to the general ledger.
 - a. Select specific journal entries and determine whether:
 - i. The journal entries are reasonable and are supported.
 - ii. The journal entries are approved by an independent person and there is documented evidence of the approval.
- E. Annual Financial Report (AFR):
 - a. Compare AFR to City's general ledger to determine if amounts agree.
 - b. Beginning and ending fund balances were reported accurately.
 - c. RUT transactions were reported accurately in the Special Revenue fund.
 - d. Total receipts and disbursements agreed with City records.
- F. Transfers:
 - a. Obtain a list of all fund transfers during the year.
 - b. Review transfers for propriety and document findings.
 - c. Determine transfers were recorded in the proper fund.
 - d. Trace transfers to approval in the minutes or budget, as applicable.

RECEIPTS PROCEDURES:

- A. Verify the City is using the Uniform Chart of Accounts to classify receipts in the general ledger.
- B. Perform a receipts to deposit test for one month (reconciling deposits per the bank statement to general ledger receipts) and consider the possibility of undeposited receipts.
- C. Property Tax:
 - a. Verify electronic deposit of twelve property tax payments during the year.
 - b. Trace one month's property tax collections to general ledger posting.
 - c. Total and trace to budget for reasonableness.
- D. Governmental Revenue:
 - a. Obtain copy of State confirmation from the Auditor of State's Office and reconcile amounts per confirmation with the general ledger.
- E. Enterprise Revenues (Water, Sewer, Electric, etc.):
 - a. Determine if a monthly and/or year-end list of delinquent accounts is maintained and obtain a copy of the listing. If not available, comment accordingly.

City of Columbus Junction
Exhibit A

The procedures performed for the City of Columbus Junction are listed below
(Continued):

- b. Determine if monthly reconciliations of billings and collections are prepared.
 - i. If not available, perform analytical procedures to compare amounts billed to amounts collected and deposited.
 - ii. If available:
 - 1. Apply procedures to determine the accuracy and completeness of the reconciliation for one month and/or at year-end.
 - 2. Comment accordingly if variances have not been adequately resolved.
 - c. Review City officials' accounts (including the Utility Clerk's account). Trace selected month(s) billing(s) to collection/deposit.
- F. General:
- a. Scan ledgers or receipts detail for unusual receipts. Investigate accordingly.
 - b. Scan deposit tickets and evaluate the reasonableness of amounts of currency deposited, considering the types of receipts expected to be received in currency.
- G. Determine local option sales tax receipts were expended as required by local ballot provisions. Review a copy of the ballot authorizing the local option tax.

DISBURSEMENT PROCEDURES:

- A. Obtain a schedule of all related party transaction with officials or employees and review for compliance with Chapter 352.5 of the Code of Iowa.
- B. Scan disbursement journal for unusual disbursements. Investigate accordingly.
- C. Scan all cancelled checks/images looking for checks to City personnel, unusual vendors and "cash."
 - a. Examine checks payable to the City Clerk and other personnel authorized to issue/sign checks.
 - i. Review amount and frequency of checks.
 - ii. Determine if checks are appropriate.
 - b. Select five consecutive checks from alternating months and verify:
 - i. The disbursement is adequately supported.
 - ii. The amount and payee on the check match the general ledger posting.
 - iii. Disbursement was authorized by the City Council.
 - iv. Credit card transactions are approved and properly supported.
 - v. The disbursement appears to meet the test of public purpose. For those items which are questionable, the City should have adequate documentation as to how the expenditure(s) meet the test of public purpose.
- D. Review all bank statements for erasures/alterations and scan for unusual withdrawals and/or checks.

City of Columbus Junction
Exhibit A

The procedures performed for the City of Columbus Junction are listed below
(Continued):

- E. If cancelled checks are not received, determine whether both the front and back of electronic check images are received as required by Chapter 554D.114(5) of the Code of Iowa.
- F. Determine the City applied for and received sales tax refunds on completed projects unless an exemption certificate was issued by the City for the contractor as required by Chapter 423.3(80)(b) of the Code of Iowa.
- G. Determine if disbursements by function are within the budget or amended budget.

PAYROLL PROCEDURES:

- A. Select five payroll transactions from throughout the year to test:
 - a. Authorization for gross pay or hourly rate.
 - b. Approval of hours worked.
 - c. Accuracy of the number of hours paid per the payroll journal to hours worked per approved timesheets (for hourly employees).
- B. City Clerk and/or Payroll Clerk Pay
 - a. If salaried, reconcile the approved salary for the City Clerk and payroll clerk to the City Council approved salary.
 - b. If hourly, test selected paychecks for the City Clerk and payroll clerk to determine if the hourly rate paid agrees to the approved hourly rate.
- C. Ensure wage increases are approved by the City Council as an hourly rate or salary and not just as a percentage increase.
- D. Determine if Forms 941, W-2 and 1099 were filed with the Internal Revenue Service, as appropriate.

City of Columbus Junction
Staff

This examination was performed by:

Ann M Menke, CPA
Carol Ross, CPA
Kelly Nelton, CPA
Kristy Adams, Staff Auditor